MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2019/2020

BFN 3114 – TAX PLANNING

(Section BO1)

29 FEBRUARY 2020
9 a.m. – 11 a.m.
(2 Hours)

INSTRUCTIONS TO STUDENTS

1. This Question paper consists of **Eight (8)** printed pages including cover page with **Three (3)** Questions only.
2. Answer **ALL** questions.
3. Please write all your answers in the Answer Booklet provided.
4. The distribution of the marks for each question is given at the end of each question.

QUESTION 1

a) Mr. Nik Abdullah works as a marketing officer in a private firm in Klang, Selangor since 1 January 2016. He is a resident taxpayer. His income for the year ended 31 December 2019 is as follows:

		RM
i)	Gross salary per annum	90,000
ii)	Bonus	5,000
iii)	Annual travelling allowance for official duties	2,800
iv)	Leave passages (for himself):	
	- Air ticket to Thailand	1,743
	- Meal and accommodation in Singapore	1,500
	- Johore, Malaysia	500
	- Perak, Malaysia	780

Mr. Nik Abdullah owns an apartment in Cyberjaya, Selangor. He rented out the house since July 2017. The monthly rental is RM1,800. For the year 2019, he incurred RM2,500 for house maintenances. He also wrote a book and in August 2019, he received RM13,000 as royalty income from the publisher.

The following claims are made by Mr. Nik Abdullah:

i) Medical expense for his mother of RM4,200. Mr. Nik Abdullah takes care of his mother since his father passed away few years back.
ii) Employees Provident Fund contributions of RM8,550.
iii) Zakat of RM2,375 for which he has a receipt issued by the appropriate religious authority established under a written law.

Required:

Compute the tax payable of Mr. Nik Abdullah for the year of assessment 2019, in accordance to the Income Tax Act 1967 (amended).

(20 marks)

b) Prithiva and Kamala are partners operating traveling agency business, PK Travels since 2010. Each of them contributed capital in the amount of RM100,000 and RM150,000 respectively. The accounting year end of the business is 31 December each year. The terms of their agreement are as follows:

	Prithiva	Kamala
Salary per annum	RM46,000	RM52,000
Entertainment allowances per annum	RM12,000	RM10,000
Travelling allowances per annum	RM4,000	RM5,900

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	Prithiva	Kamala
Annual interest on capital contribution	5%	10%
Profit sharing ratio	40	60

Additional information:

1. The provisional adjusted income for the year ended 31 December 2019 was RM170,000.

2. The capital allowance on the business assets for the year of assessment 2019 was RM34,000.

3. On 1 November 2019, Kamala brought in an additional capital of RM30,000. Other terms of partnership remain unchanged.

4. Approved donations made by the business were cash of RM5,000 to Kidney Foundation and RM2,000 to Humanitarian Relief of Malaysia.

Required:

Compute the total income for Prithiva and Kamala for the year of assessment 2019.

(20 marks)
[Total: 40 marks]

QUESTION 2

Mr. Goh runs a grocery known as Goh Enterprise. The business makes up its accounts to 31 December annually. As for 31 December 2019, the profit of the business before taxation is RM48,000. Items charged in arriving at the profit before taxation included the income and expenses stated in the notes below:

1.	Cost of sales includes:	RM
	Provision for stock obsolescence (2% of cost)	13,000
	Damaged stocks written off	6,917
	Provision for foreign exchange loss of imported goods	2,000
	Cost of new shelves for display of goods	1,960
2.	Payroll costs:	RM
	Salary of Mr. Goh	54,000
	Employees' salary	78,300
	Medical expenses for staffs	3,785
	Bonus to employees	12,000
	Employee Provident Fund (EPF) for staffs	7,430
	EPF for Mr. Goh	4,800

Continued...

3.	Marketing and advertising expense includes:	RM
	Flyers to promote the business	423
	Staffs annual dinner	1,987
	Lunch for suppliers of the business	1,000
	Leave passage for Mr. Goh and his family	3,600

4. Included in miscellaneous expenses is an amount of RM2,300 being the cost for furniture and fittings of the shop.

5.	Motor vehicle expenses includes:	RM
	Repair and maintenance of the business vehicles	5,890
	Road tax and insurance of the business vehicles	3,657
	Summon for speed trap	1,200
	Depreciation of assets of the business	20,000

6.	Trade bad debts includes:	RM
	Specific provision for bad debts	6,710
	General provision for bad debts	10,000
	Recovery for bad debts	(3,700)

7.	Donation	RM
	Cash contributions to Yayasan TH, an approved institution	2,000
	Hamper to orphanage house, an approved institution	500

8.	Other income comprises:	RM
	Gross dividend (single tier) from shares' investment	3,700
	Rental of an apartment	24,000
	Tax exempt dividend from investment in offshore companies	2,100

Capital allowances claimed by the business for the year of assessment 2019 is RM24,000 and the balancing allowance is RM2,100.

Required:

Compute the total income of Goh Enterprise for the year of assessment 2019.
Note: Start your computation with profit before taxation figure and indicating 'NIL' in the appropriate column for item that does not require adjustment.

[Total: 40 marks]

QUESTION 3

a) The introduction of the self-assessment system (SAS) in 2001 signified a major change to Malaysian tax system. The change effectively shifted the responsibility of computing taxes correctly from the Inland Revenue Board to taxpayers (The Star, 2016).

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The objectives of the move to the new system were to improve taxpayers' compliance and at the same time increase the efficiency of the tax revenue collection process. As for individual taxpayers, the system was fully adopted starting from the year of assessment 2004, and onwards.

Required:

Explain briefly the responsibility of individual taxpayers in respect of the self-assessment system (SAS).

(5 marks)

b) Section 13(2) of the Income Tax Act 1967 list out the circumstances under which the employment income of individual taxpayer is deemed to be derived from Malaysia, hence subject to Malaysian taxation.

Required:

Indicate **FIVE (5)** circumstances where such employment income would be deemed to be derived from Malaysia under Section 13(2) of the Income Tax Act 1967.

(5 marks)

c) Haluan Jitu (M) Sdn. Bhd. is a manufacturing company in operation for nearly 10 years. The company makes up its accounts to 31 December annually. Details of the company's existing non-current assets, including assets disposed of in the year ended 31 December 2019 are as follows:

i. Production machine
The machine, classified as heavy plant and machinery was acquired on 1 October 2015 for RM30,000. In 2019, due to heavy flood the machine was damaged and written off on 1 March 2019.

ii. Packaging and wrapping machine
The machine, classified as general plant and machinery, was imported from Holland on 1 August 2017 for RM80,000. The machine was subsequently sold for RM43,650 to a supplier on 25 November 2019.

Required:

Compute the capital allowances claimable, if any, by Haluan Jitu (M) Sdn. Bhd. on its non-current assets for all of the relevant years of assessment. You are also required to determine the balancing charge or balancing allowance on the disposal/write off of the machines.

(10 marks)
[Total: 20 marks]
End of question

APPENDIX 1

TAX RATES AND ALLOWANCES

The following tax rates, allowances and values are to be used in answering the questions.

Income tax rates for resident individuals for the year assessment (YA) 2018 onwards

	Chargeable Income	Tax Rate	Income Tax Payable
	RM	(%)	RM
First	**2,500**	**0**	**0**
Next	2,500	0	0
On	**5,000**		**0**
Next	5,000	1	50
On	**10,000**		**50**
Next	10,000	1	100
On	**20,000**		**150**
Next	15,000	3	450
On	**35,000**		**600**
Next	15,000	8	1,200
On	**50,000**		**1,800**
Next	20,000	14	2,800
On	**70,000**		**4,600**
Next	30,000	21	6,300
On	**100,000**		**10,900**
Next	50,000	24	12,000
On	**150,000**		**22,900**
Next	100,000	24	24,000
On	**250,000**		**46,900**
Next	150,000	24.5	36,750
On	**400,000**		**83,650**
Next	200,000	25	50,000
On	600,000		133,650
Next	400,000	26	104,000
On	1,000,000		237,650
Exceeding	1,000,000	28	...

Non-Resident Individual Rate for employment income (YA 2017 onwards)

Non-resident person (other than companies): 28%

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Reliefs

	RM
Self	9,000
Disabled taxpayer self- additional relief	6,000
Medical expenses expended for parents (max)	5,000
Medical expenses expended on self, spouse or child with serious diseases [Including up to RM500 for medical examination (max)]	6,000
Basic supporting equipment for disabled self, spouse, child or parent (max)	6,000
Fees expended for skills or qualifications (max)	7,000
Spouse relief (if he or she has no source of income or elects for combined Assessment)	4,000
Disabled spouse	3,500
Child – below 18 years of age (each)	2,000
Disabled child (each)	6,000
Child- over 18 years of age and studying in higher learning institution	8,000
Disabled child studying in higher learning institution	14,000
Amount deposited to SSPN for his child (max)	8,000
Life insurance premiums	3,000
Contributions to approved provident funds (max)	4,000
Medical or education insurance premiums for self, spouse or child (max)	3,000
Lifestyle (books, sports equipment, computer, broadband and gymnasium fee)	2,500
Social Security Organization (SOCSO) Scheme	250
Breastfeeding equipment	1,000
Parental care: father & mother (each)	1,500
Fees paid to childcare center & kindergarten	1,000

Rebates

	RM
Chargeable income not exceeding RM35,000	
Individual	400
Individual who has been given a deduction in respect of a spouse or former wife	400

Continued...

Prescribed value of benefits in kind: Car and fuel scale

Cost of car (when new)	Prescribed annual value of private usage of car	Fuel per annum
RM	RM	RM
Up to 50,000	1,200	600
50,001 – 75,000	2,400	900
75,001 – 100,000	3,600	1,200
100,001 – 150,000	5,000	1,500
150,001 – 200,000	7,000	1,800
200,001 – 250,000	9,000	2,100
250,001- 350,000	15,000	2,400
350,001 – 500,000	21,250	2,700
500,001 and above	25,000	3,000

The value of the car benefit equal to half of the prescribed annual value (above) is taken if the car provided is more than five (5) years old, but the value of the fuel provided remains unchanged. Where a driver is provided by the employer, the value of the benefit per month is fixed at RM600.

Other benefits

Household furnishings, apparatus & appliances	
Semi-furnished with furniture in the lounge, dining room, or bedrooms	- RM70 per month
Semi-furnished with furniture as above and one or more of the following:	
Air-conditioners, curtains, carpets	- RM140 per month
Fully furnished premises	- RM280 per month
Domestic servant	- RM400 per month
Gardener	- RM300 per month

Capital allowances

	Initial allowance Rate (%)	Annual allowance Rate (%)
Motor vehicles and heavy machinery	20	20
General plant and machinery	20	14
Office equipment, furniture and fittings	20	10
Industrial building	10	3
Computer, information technology equipment & computer software	20	40

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